

THE COMMISSIONER OF CORPORATIONS HEREBY ADOPTS
THE FOLLOWING CHANGES IN THE REGULATIONS UNDER THE
CORPORATE SECURITIES LAW OF 1968
AS SET FORTH IN CHAPTER 3, TITLE 10,
CALIFORNIA CODE OF REGULATIONS
EFFECTIVE: May 2, 2001

1. Amend Section 260.102.19 to read:

260.102.19. Notice of Transaction for Purchase or Option Plans or Agreements

(a) An issuer who effects a transaction under Section 25102(o) of the Code shall file a notice of transaction with the Commissioner not later than 30 days after the initial issuance of a security in California in that transaction. The notice shall be accompanied by the fee prescribed by Section 25608(y) of the Code.

(b) Each issuer (other than a California corporation) must also file a consent to service of process (Form 260.165), unless it already has a consent to service of process on file with the Commissioner.

(c) The following form is to be used for transactions covered by Section 25102(o) of the Code.

(Department of Corporations

DEPARTMENT OF CORPORATIONS

Use Only)

FILE No., if any:

Fee Paid \$ _____

(Insert File Numbers(s) of Previous

Document OP 16/00-Emergency Order

Receipt No. _____

Filings Before the Department, If Any)

FEE: \$ _____

(See Corporations Code Section 25608(y) and Section 25608(e).

The fee is based on the current market value of the securities, or in the case of options, the underlying securities)

COMMISSIONER OF CORPORATIONS

STATE OF CALIFORNIA

Notice of Issuance of Securities Pursuant to Subdivision (o) of Section 25102 of the Corporations Code

1. Name of Issuer: _____

2. State of Incorporation or Organization: _____

3. Address of Principal Place of Business:

Number and Street

City

State

Zip Code

4. The security is issued pursuant to a: (Check One)

☐ Purchase Plan or Agreement.

Name of Security: _____

Number of Securities: _____

Price Per Security: \$ _____

☐ Option Plan or Agreement.

Name and Number of Options: _____

Name and Number of the Underlying Securities: _____

Exercise Price Per Security: \$ _____

[] "Flexible" Purchase/Option Plan or Agreement.

Name of Security/Option: _____

Number of Securities/Options: _____

Name and Number of the Underlying Securities: _____

Price Per Security: \$ _____

5. Aggregate current market value of securities sought to be sold: _____

6. Date of Notice: _____

() Check if Issuer has a _____

a consent to service of process

Name of Issuer

on file with the Commissioner

Authorized Signature on Behalf of Issuer

Print Name and Title of Signatory

Name, Address and Phone Number of Contact Person:

Instructions: Each issuer (other than a California corporation) filing a notice under Section 25102(o) must file a consent to service of process (Form 260.165), unless it already has a consent to service on file with the Commissioner.

Note: Authority cited. Sections 25102(o) and 25165, Corporations Code. Reference: Sections 25102(o), 25165 and 25608(y), Corporations Code.

2. Amend Section 260.140.41 to read:

260.140.41. Employee, Director and Consultant Options.

Options granted to employees, directors or consultants of the issuer or any of its affiliates, shall be pursuant to a plan or agreement that provides for all of the following:

(a) The total number, or percentage as calculated in accordance with Section 260.140.45, of securities which may be issued and the persons eligible to receive options to purchase these securities.

(b) An exercise price which is not less than 85% of the fair value (Section 260.140.50) of the security at the time the option is granted, except that the price shall be 110% of the fair value in the case of any person who owns securities possessing more than 10% of the total combined voting power of all classes of securities of the issuer or its parent or subsidiaries.

(c) An exercise period of not more than 120 months from the date the option is granted.

(d) The non-transferability of the options other than by will, by the laws of descent and distribution, by instrument to an inter vivos or testamentary trust in which the options are to be passed to beneficiaries upon the death of the trustor (settlor), or by gift to “immediate family” as that term is defined in 17 C.F.R. 240.16a-1(e).

(e) The adjustment of the number of securities purchasable and the exercise price under the option in the event of a stock split, reverse stock split, stock dividend, distribution, recapitalization, combination or reclassification of the issuer’s securities.

(f) The right to exercise at the rate of at least 20% per year over 5 years from the date the option is granted, subject to reasonable conditions such as continued employment. However, in the case of an option granted to officers, directors, or consultants of the issuer of the option or the issuer of the underlying security or any of its affiliates, the option may become fully exercisable, subject to reasonable conditions such as continued employment, at any time or during any period established by the issuer of the option or the issuer of the underlying security or any of its affiliates.

(g) Unless employment is terminated for cause as defined by applicable law, the terms of the plan or option grant or a contract of employment, the right to exercise in the event of termination of employment, to the extent that the optionee is entitled to exercise on the date employment terminates, as follows:

(1) At least 6 months from the date of termination if termination was caused by death or disability.

(2) At least 30 days from the date of termination if termination was caused by other than death or disability.

(h) A plan or agreement termination date of no more than 10 years from the date the plan is adopted or the date the plan or agreement is approved by the security holders, whichever is earlier.

(i) Security holder approval of the plan within 12 months before or after the date the plan is adopted. Any option exercised before security holder approval is obtained must be rescinded if security holder approval is not obtained within 12 months before or after the plan or agreement is adopted. Such securities shall not be counted in determining whether such approval is obtained.

(j) Compliance with Section 260.140.46 of these rules regarding the information required to be received by employees.

(k) If provisions give an issuer the right to repurchase securities upon termination of employment, the repurchase price will be presumptively reasonable if:

(1) it is not less than the fair market value of the securities to be repurchased on the date of termination of employment, and the right to repurchase must be exercised for cash or cancellation of purchase money indebtedness for the securities within 90 days of termination of employment (or in the case of securities issued upon exercise of options after the date of termination, within 90 days after the date of the exercise), and the right terminates when the issuer's securities become publicly traded; or

(2) it is at the original purchase price, provided that the right to repurchase at the original purchase price lapses at the rate of at least 20% of the securities per year over 5 years from the date the option is granted (without respect to the date option was exercised or became exercisable) and the right to repurchase must be exercised for cash or cancellation of purchase money indebtedness for the securities within 90 days of termination of employment (or in the case of securities issued upon exercise of options after the date of termination, within 90 days after the date of the exercise). In addition to the restrictions set forth in clauses (1) and (2), the securities held by an officer, director, or consultant of the issuer or an affiliate of the issuer may be subject to additional or greater restrictions.

(l) Compliance with Section 260.140.1 of these rules regarding the voting rights of common stock and similar equity securities.

Note: Authority cited: Section 25610, Corporations Code. Reference: Section 25140, Corporations Code.

3. Section 260.140.42 is amended to read:

260.140.42. Employee, Director and Consultant Purchases.

Securities sold to employees, directors, or consultants of the issuer or any of its affiliates shall be pursuant to a plan or agreement that provides for all of the following:

(a) The total number of securities which may be issued and the persons eligible to purchase securities under the plan or agreement.

(b) A purchase price of:

(1) At least 85% of the fair value (Section 260.140.50) of the security at the time the person is granted the right to purchase securities under the plan or agreement, or at the time the purchase is consummated; or

(2) 100% of the fair value (Section 260.140.50) of the security either at the time the person is granted the right to purchase securities under the plan or agreement, or at the time the purchase is consummated, in the case of any person who owns securities possessing more than 10% of the total combined voting power of all classes of securities of the issuer or its parent or subsidiaries.

(c) The nontransferability of the employee's, director's or consultant's rights to purchase securities under the plan or agreement other than by will or the laws of descent and distribution.

(d) The adjustment of the number of securities allocated to an employee, director or consultant under the plan or agreement in the event of a stock split, reverse stock split, stock dividend, distribution, recapitalization, combination or reclassification of the issuer's securities.

(e) A plan or agreement termination date of not more than 10 years from the date the plan or agreement is adopted or the date the plan or agreement is approved by the security holders, whichever is earlier.

(f) Security holder approval of the plan or agreement within 12 months before or after the plan or agreement is adopted. Any securities purchased before security holder approval is obtained must be rescinded if security holder approval is not obtained within 12 months before or after the plan or agreement is adopted. Such securities shall not be counted in determining whether such approval is obtained.

(g) Compliance with Section 260.140.46 of these rules regarding the information required to be received by employees.

(h) If provisions give an issuer the right to repurchase securities upon termination of employment, the repurchase price will be presumptively reasonable if:

(1) it is not less than the fair market value of the securities to be repurchased on the date of termination of employment, and the right to repurchase must be exercised for cash or cancellation of purchase money indebtedness for the securities within 90 days of termination of employment, and the right terminates when the issuer's securities become publicly traded; or

(2) it is at the original purchase price, provided that the right to repurchase at the original purchase price lapses at the rate of at least 20% of the securities per year over 5 years from the date the option is granted (without respect to the date option was exercised or became exercisable) and the right to repurchase must be exercised for cash or cancellation of purchase money indebtedness for the securities within 90 days of termination of employment. In addition to the restrictions set forth in clauses (1) and (2), the securities held by an officer, director, or consultant of the issuer or an affiliate of the issuer may be subject to additional or greater restrictions.

(i) Compliance with Section 260.140.1 of these rules regarding the voting rights of common stock and similar equity securities.

Note: Authority cited: Section 25610, Corporations Code. Reference: Section 25610, Corporations Code.

4. Section 260.140.45 is amended to read:

260.140.45. Limitation on Number of Shares.

The total number of securities issuable upon exercise of all outstanding options [exclusive of rights described in Section 260.140.40 and warrants described in Sections 260.140.43 and 260.140.44 of these rules, and any purchase plan or agreement as described in Section 260.140.42 of these rules (provided that the purchase plan or agreement provides that all will have a purchase price of 100% of the fair value (Section 260.140.50) of the security either at the time the person is granted the right to purchase securities under the plan or agreement or at the time the purchase is consummated)], and the total number of securities called for under any bonus or similar plan or agreement shall not exceed a number of securities which is equal to 30% of the then outstanding securities of the issuer (convertible preferred or convertible senior common shares of stock will be counted on an as if converted basis), exclusive of securities subject to promotional waivers under Section 260.141, unless a percentage higher than 30% is approved by at least two-thirds of the outstanding securities entitled to vote. The 30% limitation set forth in this Rule, or such other percentage limitation as may be approved pursuant to this Rule, shall be deemed satisfied if the plan or agreement provides that at no time shall the total number of securities issuable upon exercise of all outstanding options and the total number of securities provided for under any bonus or similar plan or agreement of the issuer exceed the applicable percentage as calculated in accordance with the conditions and the exclusions of this Rule, based on the securities of the issuer which are outstanding at the time the calculation is made.

Note: Authority cited: Section 25610, Corporations Code. Reference: Section 25140, Corporations Code.

5. Section 260.140.46 is amended to read:

260.140.46. Information to Employees.

Plans or agreements pursuant to which securities are to be issued to employees, consultants and directors (including option, purchase and bonus plans) shall provide that the security holder(s) will receive financial statements at least annually. This section does not require the use of financial statements in accordance with Section 260.613 of these rules. This section shall not apply when issuance is limited to key employees whose duties in connection with the issuer assure them access to equivalent information.

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